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SUBJECT: NICARAGUA'S MOST WANTED PART III: THE CRIMES OF ARNOLDO ALEMAN AND HIS FAMILY

REF: A. MANAGUA 1002
1B. MANAGUA 1003

11. (SBU) This is the third and final cable in a series summarizing the crimes and abuses of power committed by Nicaragua's corrupt party bosses and their associates. The first cable focused on Daniel Ortega and his family, the second highlighted the abuses of the FSLN, both while in power in the 1980s and in opposition since 1990. This third cable centers on the crimes and abuses of ex-president and Liberal Constitutional Party (PLC) leader Arnoldo Aleman. As noted in reftels, post intends to use the information from these "rap sheets" in discussions with domestic and international interlocutors as a means of reminding Nicaraguan voters and others of the true character of Aleman, Ortega, and the Sandinistas. While the summaries themselves are unclassified, some of the sources of information are SBU. Post will distribute the summaries to appropriate contacts, but not the sources. Post is sending both the summaries and the sources to the Department and other Washington agencies for similar uses.

CRIMES OF ARNOLDO ALEMAN AND HIS FAMILY

Theft of 100 Million Dollars from the Nicaraguan People and Laundering of the Money in Nicaragua and Abroad

12. (U) While Arnoldo Aleman was president, he and his family stole approximately 100 million dollars from the Nicaraguan people by looting money from the government treasury and the accounts of many different government agencies and ministries that were controlled by corrupt associates, including Byron Jerez, Esteban Duque Estrada, Jorge Solis, Noel Ramirez, and Eduardo Mena. Aleman, his family, and their associates used a variety of schemes to steal and launder government money, but most of the funds were eventually laundered through shell companies and accounts in Panama, the United States, and the Dominican Republic. Once he laundered the stolen money, Aleman then used it to support his family's lavish lifestyle, as well as to bribe and reward political allies, manipulate Nicaragua's institutions, and maintain his political power.

13. (SBU) Sources: thousands of checks and other financial documents from the presidency, numerous government ministries and agencies signed personally by Arnoldo Aleman and his corrupt associates, bank account information from Panama, the United States, and Nicaragua in possession of all three governments; court records from Aleman's trial in Nicaragua and the original accusations brought against Aleman by the Procuraduria.

The Path and Documentation of Aleman's Money Laundering

14. (U) Most of the elaborate schemes orchestrated by Arnoldo Aleman involved the transfer of public funds from various government agencies to the accounts of shell corporations (mostly in Panama) that were established for the sole purpose of defrauding the people and government of Nicaragua. Tens of millions of dollars from agencies like ENITEL, the Rural Development Institute (IDR), and the Directorate of Taxation (DGI), all of which were controlled by cronies of Aleman, were transferred to shell companies like Industrias Andinas de Desarrollo (IAD) and Consultores Corporativos in Panama. Once the money arrived in the accounts of the shell companies, Aleman and his family then transferred it to the Panamanian accounts of the Nicaraguan Democratic Foundation (FDN). Some of this money was disguised as a fake "donation" from the government of Taiwan.

15. (U) Once funds were in the FDN accounts, Aleman used them for both political and family ends. He bribed and rewarded political supporters and transferred funds to other accounts for his family's private use. Documentation on all of this money laundering, including copies of the documents signed and passports used by the Aleman family when they opened the shell companies, checks signed by Arnoldo Aleman transferring funds from one shell company to another, and bank transfer documents showing the origin and destination of the payments are all in the possession of the governments of Nicaragua, Panama, the United States, and the Dominican Republic.

16. (SBU) Sources: thousands of checks and other financial documents from the presidency, numerous government ministries and agencies signed personally by Arnoldo Aleman and his corrupt associates, bank account information from Panama, the United States, and Nicaragua in possession of all three governments; court records from Aleman's trial in Nicaragua and, the original accusation brought against Aleman by the office of the Nicaraguan Attorney General (Procuraduria).

The Role of Aleman's Family in his Money Laundering

¶7. (U) While Arnoldo Aleman orchestrated the entire conspiracy, personally signed checks to launder government funds, and gave Byron Jerez and others orders to transfer government funds into private accounts, other members of his family also played important parts in the money laundering process. The list that follows does not include all of Aleman's relatives who participated in his corruption, only the most prominent individuals.

¶8. (U) Aleman's wife, Maria Fernanda Flores de Aleman, personally established several of the shell companies in Panama that Aleman used to launder his stolen funds, including Locery S.A., Aleman-Flores Corporation, and Inversiones Quisa S.A. She flew to Panama on numerous occasions, showed her passport, and signed documents to establish the companies and open their bank accounts. In 2002, when Aleman transferred 4 million dollars in stolen government funds from Nicstate Development (another shell company in Panama) to four other sham companies, he ordered that the Nicstate checks for the 4 million dollars be made out to Maria Fernanda and delivered to her personally. She took personal possession of these checks in Panama on July 25, 2002 and signed for them.

¶9. (U) Jose Antonio Flores Lovo, Maria Fernanda's father and Aleman's father-in-law, also played key parts in Aleman's money laundering schemes. After Maria Fernanda received the checks for the 4 million laundered dollars in July 2002, she gave them to her father, who used them the next day (July 26, 2002) to open certificate of deposit accounts in Panama in the names of four shell companies: Kalveto S.A., Voria Holding S.A., Budapest Corporation S.A., and Teremina S.A. Flores Lovo showed his passport for all of these transactions and his signature is on all of them.

¶10. (U) Aleman's oldest daughter, Maria Dolores, also flew to Panama and opened several of the shell corporations and bank accounts that were used to launder stolen Nicaraguan government money, including one of the accounts of the FDN. She was also one of the owners of Consultores Corporativos and was an official legal representative of Oakwood Finance S.A., another shell company. Maria Dolores showed her passport and her signature appears on official documents establishing all of these shell companies and their bank accounts. Maria Dolores, name also appears on certificates of deposit that were purchased by Byron Jerez in the United States using stolen government funds.

¶11. (U) Another of Aleman's daughters, Maria Alejandra, is known to have received funds directly from the FDN Panama accounts. She also appeared personally, showed her passport, and signed documents to open a Panamanian bank account for Inversiones Quisa S.A. and was listed as an official legal representative of that shell company. Byron Jerez also purchased certificates of deposit in her name in the United States.

¶12. (U) The name of Aleman's adult son, Carlos Miguel, appears on yet another certificate of deposit in the United States that was purchased by Byron Jerez with stolen government funds.

¶13. (SBU) Sources: Aleman's family members personally signed documents for most of the transactions described above. Maria Dolores, Maria Alejandra, Maria Fernanda, and Jose Antonio Flores Lovo all personally appeared in Panama on multiple occasions to establish shell companies and bank accounts for money laundering purposes. They all showed their passports, U.S. visas, and other identifying documents in order to open the companies and accounts. Copies of the records with their signatures and passport photos are in the possession of the Panamanian, Nicaraguan and U.S. governments. The names of

Aleman and his children appear on the CDs in the U.S. and their names appear in documents submitted by their lawyers in U.S. courts seeking to unfreeze and repatriate the stolen money to Nicaragua.

Convictions in Nicaragua and Stolen Money Seized in the United States

¶14. (U) The cases listed above highlight only a small fraction of the many corruption schemes that Arnoldo Aleman and his family orchestrated during his presidency. Aleman and his family have yet to face trial in some of the cases, but several verdicts have already been handed down in Nicaragua and the United States.

¶15. (U) In December 2003 a Nicaraguan judge found Arnoldo Aleman and Byron Jerez guilty of money laundering, fraud, embezzlement, misuse of public funds, and criminal conspiracy for their actions in the "Huaca I" case, which involved the theft of government money from ENITEL, the government treasury, and the state social security fund. Aleman received a twenty year criminal sentence in this case and his conviction remains in effect.

¶16. (U) In October 2004, Aleman's lawyers in the United States accepted the seizure of over 600,000 dollars from the sale of a helicopter that Aleman had purchased in an attempt to launder additional government funds that were stolen in the "Huaca I" case. Aleman's lawyers had proclaimed his innocence and tried to recover the seized funds, but ultimately accepted defeat in the face of the overwhelming documentation of the money laundering. The seized funds will soon be returned to the Nicaraguan government to support its ongoing fight against corruption.

¶17. (U) In June 2002 authorities in the United States seized a condominium worth well over 2 million dollars that was purchased by Byron Jerez with money stolen from the Nicaraguan government in the "Huaca I" case. In the face of overwhelming evidence, in December 2003 Jerez's lawyers admitted defeat in their efforts to recover the condominium or the profits from its sale. In December 2004, the United States government returned to the Nicaraguan government the money that was seized from the sale of the condominium. The nearly 2.8 million dollars are to be used to support continued anti-corruption efforts and to build two modern secondary schools in Managua.

¶18. (SBU) Sources: The helicopter and condominium cases are both matters of public record in U.S. courts in Oklahoma and Florida, just as Aleman's 2003 conviction is a matter of

public record in Nicaragua.

Ongoing Investigations in Nicaragua, Panama, the United States, and the Dominican Republic

¶19. (U) Aleman still has several corruption charges pending in Nicaragua, including the "Huaca II" case that includes most of the fraudulent Panamanian transactions described above. However, Aleman is trying to negotiate with FSLN leader Daniel Ortega, who controls the court system, to have all remaining charges dismissed and his conviction erased.

¶20. (U) The government of Panama has frozen nearly ten million dollars stolen by Aleman and Jerez and hidden in Panamanian shell companies. Prosecutors in Panama have issued a criminal indictment against Aleman and several of his family members, including Maria Fernanda Flores de Aleman, Maria Dolores Aleman, and Jose Antonio Flores Lovo for their money laundering activities in that country. Although the Aleman family and their lawyers have repeatedly used legal trickery in Panama and Nicaragua to delay the start of the criminal trial, the first hearing took place on March 30, 2006.

¶21. (U) Approximately 700,000 dollars stolen from the Nicaraguan government by Aleman and Jerez and invested in CDs in Florida in the names of Arnoldo Aleman, Maria Dolores Aleman, Maria Alejandra Aleman, Carlos Miguel Aleman and other family members is presently frozen by the United States government and is subject to a pending civil forfeiture proceeding. Fearing the loss of the stolen money, the Aleman

family has repeatedly sought to delay resolution of this case. The United States Department of Justice is also studying a possible criminal money laundering case against several members of the Aleman family.

¶22. (U) Reports that the Aleman family has hidden stolen government funds in the Dominican Republic with the help of business associates and family members in that country are presently under investigation.

¶23. (SBU) Sources: The Panamanian details are contained in the charges brought against Aleman and his family in that country, details of the "Huaca II" case are in the hands of both the Procuraduria and the Fiscalia (the latter of which is trying to sabotage the case). Many of these documents are the same ones described above that document the Panamanian money laundering activities of Aleman and his family. The Procuraduria has formally invoked regional anti-corruption treaties (including the Inter-American Convention on Mutual Assistance in Criminal Matters) to ask the government of the Dominican Republic to begin investigating Aleman's activities in that country. The Dominican investigation began in early 2006, and centers on money transferred to the D.R. from the accounts of the &Budapest8 shell company set up in Panama by Aleman. Jose Grullon Flores Lovo, the brother-in-law of Aleman's wife, who lives in the D.R. facilitated the transfer to that country of at least USD 140,000 in laundered funds stolen from the GON.

How the Aleman Family Spends its Stolen Money

¶24. (U) While he was still president, Aleman and his entire extended family spent taxpayer money flying all over the world on "official" trips to such places as Miami, Rome and Stockholm. These trips were really family vacations, as the family would often use government credit cards to spend tens of thousands of dollars in a single afternoon on jewelry, clothing and other personal purchases at shopping malls. While most Nicaraguans were recovering from the devastating effects of Hurricane Mitch in the spring of 1999, Aleman was hauling his entire extended family to Sweden for a hurricane reconstruction meeting so that they could enjoy a vacation and go shopping at government expense. On this and other trips, the Aleman family ran up a combined total of nearly two million dollars in personal expenses on government credit cards, and had Central Bank President Noel Ramirez write checks to make the Nicaraguan people pay for the Aleman family's private shopping and travels. Documentation on all of this spending is in the hands of the Nicaraguan and United States governments.

¶25. (U) When Aleman married Maria Fernanda in 1999, he threw an engagement party at the exclusive Biltmore hotel in Miami, flying his entire family and hundreds of other Nicaraguans to the United States and paying for hundreds of thousands of dollars in hotel expenses. This extravagant affair was followed by a honeymoon around the world that included stops in Egypt and India. Since Aleman left office in 2002, his family has continued to live the good life on its stolen government money, as evidenced by the study of Carlos Miguel at exclusive schools in the United States and Spain or the extravagant high society party thrown at the Hotel Princess by Maria Fernanda in 2004 when her second daughter with Aleman was born.

¶26. (SBU) Sources: Most of these examples of the extravagant lifestyle of the Aleman clan were widely reported by the Nicaraguan media at the time that they occurred. The Aleman family has never made any effort to disguise its massive spending. Quite the contrary; the family has always wanted everyone to see it living the good life and recognize its financial and political power. The family's misuse of government credit cards for personal spending, and of the role of Noel Ramirez in using government funds to pay the card bills, is thoroughly documented in Nicaraguan Central Bank records.

The Impact of the Aleman Clan's Thievery on Nicaragua

¶27. (U) In addition to robbing the Nicaraguan people of a hundred million dollars that could have otherwise have been used to do everything for

¶28. (U) At the same time, Aleman's determination to use his stolen money to retain political power and protect himself from punishment for his

¶29. (SBU) Sources: One specific impact of Aleman's thievery on Nicaragua is seen in the annual Corruption Perceptions Index produced by Transp

¶30. (SBU) Sources continued: Aleman's various "pact" negotiations with Ortega and his stocking of government institutions with corrupt cronies are all a matter of public record, and account directly for the sorry state of the Fiscalia, the Supreme Court, the Supreme Electoral Council,

the National Assembly, and the Contraloria to this day.
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